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CENTRAL INTELLIGENCE BULLETIN

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*South Vietnam: Premier Khanh appears intent on taking forceful action against Rhade paramilitary units now that the latter no longer hold Vietnamese hostages.

Khanh has ordered General Dinh, recently given responsibility for resolving the tribal difficulties in Darlac and Quang Duc provinces, to occupy the Special Forces camp from which the hostages were rescued yesterday. Khanh agreed to delay the operation only long enough to permit the evacuation of US Special Forces advisers in the camp.

The premier plans the early arrest of certain Vietnamese, French and tribal personalities alleged to have been the instigators of the recent Rhade rebellion. He would also delay for several weeks a promised tribal congress on the ground that to hold it now would suggest government responsiveness to Rhade pressures.

The hard line now taken by Khanh threatens to undo progress made during the past week in inducing rebellious Rhade paramilitary units to return to their camps and in creating the basis for negotiations between the government and the tribesmen. The occupation in force of the Special Forces camp will, in particular, be likely to be interpreted by the Rhade as evidence of government duplicity and might lead to a further outbreak of armed uprisings by the tribesmen.

In Saigon, fresh coup rumors over the week end led to the reinforcement of normal security forces by airborne and marine units. The reason for the

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increased tension is not known, but it may be related to renewed demands by the young generals who put down the 13 September coup attempt for the trial of those officers implicated in the coup and the ouster of the five generals of the former Minh junta accused of neutralist sentiments.

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The 17-man High National Council, after being formally launched on 26 September by Minh and Khanh, has begun work on a provisional constitution and the selection of a provisional national assembly. Pham Khac Suu, an elderly nationalist politician imprisoned by Diem, has been elected chairman of the council.

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Congo: Government forces are stalled in the northwest, and in the east the rebel build up around Bukavu continues.

Strong rebel resistance has stalled a combined mercenary-gendarme force east of Lisala. Another government force, recently repulsed at Boende, has withdrawn to await air support and reinforcements. The rebel build up north and west of Bukavu continues. There have been some skirmishes southwest of the city.

Rebel leaders Gbenye and Soumialot refused to let the International Red Cross aircraft, which arrived in Stanleyville on 25 September, evacuate any Europeans or Americans. The plane returned to Bangui on 26 September. The five US consular officials are reported to be in good health, although under house arrest.

The Red Cross mission leaders reported that Gbenye and Soumialot appeared to have little control or influence over their troops, and that the troops consider the Europeans, especially the Americans, as guarantees against bombing attacks. The mission described the situation in Stanleyville as very unstable, because of bitterness between the civilians and the army. Food was in extremely short supply, and near chaos reigned outside the city.

The US ambassador in Nairobi reports that all indications are that the OAU Congo conciliation commission chairman Prime Minister Kenyatta has decided that Tshombé "must go," and that foreign support, especially US, must be withdrawn.

Kenyatta, according to Ambassador Attwood, has been sold completely on a "political solution,"

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thinks the rebels are reasonable and believes that if they were brought into the government, a cease-fire and elections would follow. Embassy Leopoldville believes, however, that the rebels show no disposition toward a cease-fire, apparently believing they can win a military victory.

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Egypt - Saudi Arabia - Yemen: The Nasir-Faysal agreement to cooperate in arranging a settlement of the Yemen problem apparently is not progressing.

There is also no indication that the planned cease-fire between the republicans and royalists in Yemen will soon be achieved. The situation is complicated by power rivalries and tribal-religious disputes within the republican ranks. The Egyptians have been trying to resolve these differences, and until they do, steps toward a settlement with the royalists are unlikely.

The republicans are said to be less than enthusiastic about the Nasir-Faysal agreement. At the Arab summit conference earlier this month, Nasir and Faysal reportedly agreed to establish a "commission" of ten Yemenis, five from each side, with Egyptians and Saudis as observers. After a cease-fire is arranged, this body is to discuss the formation of a Yemeni council, which would include some royalist as well as republican elements. The Imam, however, would almost certainly be excluded.

Faysal evidently is ready to accept this, and, to facilitate a settlement, would probably subsidize the Imam's exile if Nasir would withdraw most of his troops from Yemen. The Egyptians, in return, apparently are willing to sacrifice republican President Sallal who has been little more than a figurehead for some time.

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East Germany - West Germany: The East Germans have levied new demands on West Germany for as yet unknown concessions in interzonal trade (IZT).

The East Germans insist that Bonn accept them in principle by the end of September and work out detailed agreements by the end of the year. Many of the demands are unacceptable to West Germany according to the West German IZT negotiator, Leopold, who will recommend to Bonn that the FRG not negotiate under pressure of an "ultimatum."

Leopold believes the timing of the request strongly suggests East Germany may bring pressure to bear by interfering with civilian autobahn traffic or serving notice of abrogation of the IZT agreement by 30 September. It is unlikely, however, that the abrogation threat would be carried out when the agreement expires 1 January 1965. The East Germans derive considerable economic benefit from trade with West Germany. Abrogation of the agreement, moreover, would create an unfavorable atmosphere for Khrushchev's visit to Bonn, now slated for early next year.

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Czechoslovakia - West Germany: [Prague apparently expects to reach agreements for an exchange of trade missions and an expansion of trade with Bonn]

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[Prague's apparent decision to go ahead with an agreement permitting establishment of a resident West German trade mission ignores East Germany's denunciations of similar agreements with Bonn by four other Eastern European countries. Trade talks between the two countries have been bogged down for several months on the trade mission and Munich Agreement issues]

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Chile: Christian Democrat President-elect Frei has revealed his thinking on several key foreign and domestic problems facing his government.

Frei firmly told US Embassy officers that he will recognize neither Communist China nor East Germany. He said Chile's stand on this would not weaken. Cuba was not mentioned, but Frei is not expected to restore diplomatic relations with Castro.

Frei stressed the importance of early agreement with the US copper companies to make possible increased investment and production. The embassy expects, however, that Chilean negotiations with the copper companies will be hard and probably prolonged. Frei wants refining to be done in Chile, with Chile having a voice in marketing and some form of participation in new investment. Frei added that he realizes the companies must have assured stability if they are to undertake increased inputs of capital.

Frei says his requirements for external assistance will be large, but he is optimistic concerning refinancing of the already sizable foreign debt. He stressed that foreign assistance can be justified only in proportion to the extent of Chile's internal effort.

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Spain: [Foreign Minister Castiella told Ambassador Woodward on 25 September that his government never believed the US Government had any responsibility for the recent attack near Cuba on the Spanish ship, Sierra de Aranzazu. Castiella added, however, that he believed Madrid's desire to develop even better relations with the US would be substantially assisted if the US would "cooperate" so another Spanish ship about to depart would have a better chance to reach its Cuban destination safely. Alluding to the US-Spanish joint military exercise STEEL PIKE--the announcement of which Madrid has been holding up--Castiella said this question "would fall into place" once a satisfactory answer to his request was received]

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